Mobilisation of Equity by Banks

979. SHRI CHIMANBHAI HARIBHAI SHUKLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have formulated any scheme to accord permission to some nationalised banks to enter capital market for denovo mobilisation of equity;

(b) if so, what are the details thereof; and

(c) what are the names of the nationalised banks which have been permitted to mobilise equity?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) and (b) The recent amendments to the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970 and 1980, enable nationalised banks to access the capital market for mobilisation of equity subject to the condition that Central Government shall at all times hold not less than 51 percent of the paid up capital of these banks. Before doing so, they are required to approach Reserve Bank of India and Government of India for necessary sanction under the said Act.

(c) So far, only Oriental Bank of Commerce has been permitted by the Reserve Bank of India and Government to mobilise equity.

Price of gold in the international market

980. SHRI O. P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether the price of gold in the international market is low while the cost of the same in India is higher;

(b) if so, the reasons therefor; and

(c) the steps taken to check the factor responsible for high cost in India and to correct them?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) Currently the domestic price of gold in the Bombay market is about 18 per cent higher than the London price of gold when converted at the official rate of exchange.

(b) and (c) With extremely meagre domestic production, the domestic demand for gold is met by the international market. Under the liberalised gold import scheme, the duty works out to about 7 per cent. In addition, the importer has to incur the cost of transportation, marketing etc, and the local trade also adds its profit margin.

Gold is now imported under the liberalised scheme of gold imports since March, 1992. Gold is also permitted to be imported against the freely transferable special import licences. Because of these steps the domestic price which was higher than the international price by over 50 per cent prior to the gold import scheme, has now declined with a difference of only 18 per cent.

Inflation induced by foreign capital and fiscal deficit

981. SHRIMATI KAMLA SINHA:
DR. BAPU KALDATE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the World Bank has cautioned Government against the dangers to the country's economy by inflation induced by large inflow of foreign capital and fiscal deficit;

(b) if so, what are the details thereof; and

(c) what is the reaction of Government with regard thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The World Bank in its Country Economic Memorandum 1994 has underlined the inflationary potential of fiscal